

Message Text

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C O N F I D E N T I A L BONN 07695

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, EGEN, GW

SUBJECT: FRG POSTPONES NEW INITIATIVES ON FOLLOW-UP
TO PARIS PREPCON

REF: BONN 6861

1. FRG INTERMINISTERIAL STUDY GROUP MET ON MAY 12 AT THE MINISTERIAL LEVEL, WITH THE CHANCELLOR PRESIDING, TO DISCUSS PROPOSALS TO RESUME THE CONSUMER/PRODUCER DIALOGUE IN THE WAKE OF THE BREAKDOWN OF THE PARIS ENERGY PREPCON. AFTER AN INCONCLUSIVE DISCUSSION, THE CHANCELLOR ORDERED THE PREPARATION OF FURTHER ANALYSES, TO BE COMPLETED BY JUNE 1, WITH THE NEXT MINISTERIAL DISCUSSION SCHEDULED FOR JUNE 9. DURING A CONVERSATION WITH THE ECONOMIC/COMMERCIAL MINISTER, FINANCE MINISTRY STATE SECRETARY POEHL SAID THAT THE CHANCELLOR EXPRESSED DISAPPOINTMENT THAT THE WORKING
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GROUP HAD NOT COME UP WITH MORE POSITIVE SUGGESTIONS.

POEHL STRESSED THE FINANCIAL CONSTRAINTS ON THE GERMAN BUDGET IN MEETING THE LDC DEMANDS.

2. ACCORDING TO AN INFORMED ECONOMICS MINISTRY SOURCE, THE MINISTERS' DISCUSSION CENTERED ON TWO OPPOSING SETS OF VIEWS. AID MINISTER BAHR FOCUSED ON THE LONG TERM IMPORTANCE OF IMPROVING RELATIONS WITH THE DEVELOPING COUNTRIES AND URGED ACCOMMODATION TO THE DEMANDS OF THE OPEC/LDC GROUP IN ORDER TO GET THE CONSUMER/PRODUCER DIALOGUE BACK ON THE TRACKS. BAHR RECEIVED SUPPORT FOR THIS POSITION FROM FINANCE MINISTER APEL ALTHOUGH THE LATTER WAS NOT PREPARED TO PROVIDE INCREASED BUDGETARY FUNDS OR NEW GUARANTIES OF FINANCIAL SUPPORT FOR ANY NEW PROPOSALS. OUR ECONOMICS MINISTRY SOURCE ATTRIBUTED APEL'S SUPPORT OF BAHR TO THE FORMER'S RECENT VISIT TO JAPAN WHERE THE JAPANESE IMPRESSED UPON HIM THE LONG-LASTING NATURE OF THE OIL CRISIS AND THE NEED FOR ACCOMMODATIONS WITH THE LDCS. FOR THEIR PART, ECONOMICS MINISTER FRIDERICH'S AND FOREIGN MINISTER GENSCHER STRESSED THE SHORT AND MEDIUM TERM PROBLEMS CAUSED BY THE LDC DEMANDS. THEY EMPHASIZED THE NEED TO AVOID CREATING EXPECTATIONS IN THE LDCS WHICH THE FRG WAS NOT IN A POSITION TO SATISFY. THEY ALSO ARGUED AGAINST TAKING ACTION SOLELY FOR ACTION'S SAKE AND STRESSED THE VIEW THAT THERE WAS NO IMMEDIATE NEED FOR MAJOR POLICY CHANGES.

3. THE NEXT ROUND OF STUDY PAPERS IS TO EXAMINE A NUMBER OF QUESTIONS SUCH AS: WHICH COUNTRIES ARE LIKELY TO BENEFIT MOST FROM THE VARIOUS COMMODITY AGREEMENTS UNDER CONSIDERATION; WHICH INDUSTRIALIZED COUNTRIES WOULD BEAR THE FINANCIAL BURDEN OF THE LDC DEMANDS. THE PAPERS ARE TO PROVIDE MORE DETAILED ANALYSIS OF THE RESULTS OF THE CONFERENCES IN ALGIERS AND DAKAR. THEY ARE TO ANALYZE FURTHER THE MEDIUM TERM DEMAND FOR OIL. THEY ARE TO GIVE ATTENTION TO THE POSSIBILITY OF EXPANDING THE IMF COMPENSATORY FINANCING SCHEME. THE PAPERS WILL EXAMINE THE QUESTION OF WHAT THE OIL PRODUCING COUNTRIES HAVE DONE AND CAN

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DO FURTHER TO HELP THE LDCS. THEY WILL ALSO EXAMINE THE POSSIBLE ROLE OF THE EASTERN EUROPEAN COUNTRIES IN THE DIALOGUE.

4. WITH REGARD TO THIS LATTER POINT, OUR SOURCE SAID THAT THE FRENCH HAVE ALREADY APPROACHED THE RUSSIANS TO EXPLORE LATTER'S INTEREST IN PARTICIPATING IN THE FULL CONFERENCE. OUR SOURCE NOTED THAT THE FRG IS

ADOPTING A CAUTIOUS ATTITUDE ABOUT EASTERN EUROPEAN
PARTICIPATION. IT IS ANXIOUS THAT PROBLEMS WITH THE
DIALOGUE NOT REDOUND TO THE BENEFIT OF STATE TRADING
COUNTRIES.
HILLENBRAND

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